

**BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA**

**DOCKET NO. 2023-388-E**

In the Matter of:	)	
	)	<b>DIRECT TESTIMONY OF</b>
Application of Duke Energy Carolinas, LLC For	)	<b>NICHOLAS G. SPEROS</b>
Authority to Adjust and Increase its Electric Rates	)	<b>FOR DUKE ENERGY</b>
and Charges	)	<b>CAROLINAS, LLC</b>

---

**I. INTRODUCTION AND PURPOSE**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Nicholas G. Speros, and my business address is 525 South Tryon Street, Charlotte, North Carolina 28202.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am employed by Duke Energy Business Services, LLC as Director of Accounting, providing accounting leadership for both Duke Energy Carolinas, LLC (“DEC” or the “Company”) and Duke Energy Progress, LLC (“DEP”). DEC and DEP are subsidiaries of Duke Energy Corporation (“Duke Energy”).

**Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL QUALIFICATIONS.**

A. I graduated from the University of Cincinnati with a bachelor’s degree in Business Administration.

**Q. PLEASE SUMMARIZE YOUR WORK EXPERIENCE.**

A. I have 16 years of professional experience with Duke Energy in various accounting and finance roles. I was named to my current position as Director of Accounting in January 2022.

**Q. PLEASE BRIEFLY DESCRIBE YOUR DUTIES AS DIRECTOR OF ACCOUNTING.**

A. I am responsible for ensuring that the accounting impacts of the Company’s business activities and transactions are understood and properly recorded to the general ledger and that such accounting impacts, as well as any applicable related variances to budget and prior year results, are clearly explained and

1 properly presented in internal and/or external financial reports. I am also  
2 responsible for ensuring that the accounting team performs its tasks in an  
3 accurate and timely manner in accordance with published deadlines while  
4 strictly adhering to Company policies and controls.

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS OR ANY**  
6 **OTHER COMMISSION?**

7 A. I submitted written testimony before the Public Service Commission of South  
8 Carolina (“Commission”) in DEP’s most recent South Carolina rate case in  
9 Docket No. 2022-254-E, as well as its Petition for a Storm Securitization  
10 Financing Order in Docket No. 2023-89-E. I provided live testimony before  
11 the North Carolina Utilities Commission in DEC’s and DEP’s most recent  
12 North Carolina rate cases in Docket Nos. E-7, Sub 1276 and E-2, Sub 1300,  
13 respectively, as well as in DEC’s 2019 North Carolina rate case in Docket No.  
14 E-7, Sub 1214.

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16 A. My testimony will cover the financial position of DEC at December 31, 2022,  
17 and the actual results of the Company’s operations for the twelve months ending  
18 December 31, 2022 (the “Test Period”). The Company’s financial position and  
19 operating results and the actual data required under 26 S.C. Code Ann. Reg.  
20 103-823 of the Commission’s Rules and Regulations are set forth in Speros  
21 Exhibit 1 and in the column labeled “Total Company Per Books” in Jiggetts  
22 Exhibit 1, Page 1. In addition, I discuss the amount of the Company’s nuclear  
23 decommissioning costs allocated to the Company’s South Carolina retail

1 electric operations and explain that the Company is not including any  
2 decommissioning expense in its rate request based on the Company's projected  
3 nuclear decommissioning trust fund balances. I also discuss the amount of the  
4 Company's depreciation expense based on the Company's 2021 Depreciation  
5 Study.

6 **Q. WAS SPEROS EXHIBIT 1 PREPARED OR PROVIDED HEREIN BY**  
7 **YOU, UNDER YOUR DIRECTION AND SUPERVISION?**

8 A. Yes.

9 **Q. ARE YOU FAMILIAR WITH THE ACCOUNTING PROCEDURES**  
10 **AND BOOKS OF ACCOUNT OF DEC?**

11 A. Yes. The books of account of DEC follow the Uniform System of Accounts  
12 prescribed by the Federal Energy Regulatory Commission. This Uniform  
13 System of Accounts has been adopted by the Commission and is followed by  
14 the investor-owned utilities subject to its jurisdiction.

15 **Q. WHAT STEPS DOES THE COMPANY TAKE TO ENSURE THAT ITS**  
16 **BOOKS AND RECORDS ARE ACCURATE AND COMPLETE?**

17 A. DEC maintains and relies upon an extensive system of internal accounting  
18 controls and audits by both internal and external auditors. The system of  
19 internal accounting controls provides reasonable assurance that all transactions  
20 are executed in accordance with management's authorization and are recorded  
21 properly.

22 The system of internal accounting controls is reviewed annually, tested,  
23 and documented by the Company to provide reasonable assurance that amounts

1 recorded on the books and records of the Company are accurate and proper. In  
2 addition, independent certified public accountants perform an annual audit to  
3 provide assurance that internal accounting controls are operating effectively and  
4 that the Company's financial statements are materially accurate.

5 **II. FINANCIAL POSITION AND RESULTS**

6 **Q. PLEASE DESCRIBE WHAT IS PRESENTED IN SPEROS EXHIBIT 1.**

7 A. Speros Exhibit 1 sets forth the Company's financial statements. Pages 1 and 2  
8 contain the Company's Balance Sheet as of December 31, 2022. Page 3 is the  
9 Company's Income Statement for the twelve months ending December 31,  
10 2022. Page 4 is the Company's Statement of Capitalization at December 31,  
11 2022. Certain information shown on Speros Exhibit 1 is also included in  
12 Exhibit D to the Company's Application.

13 **Q. ARE THE CAPITAL EXPENDITURES AND OPERATING EXPENSES**  
14 **REPRESENTED ON SPEROS EXHIBIT 1 ACCURATE?**

15 A. Yes. An integral part of the Company's system of internal accounting controls  
16 includes various budgeting, planning, and review procedures to establish and  
17 monitor the capital and operating budgets, as well as actual expenditures.

18 **III. NUCLEAR DECOMMISSIONING**

19 **Q. WHAT AMOUNT OF NUCLEAR DECOMMISSIONING EXPENSE IS**  
20 **INCLUDED IN DEC'S PER BOOK AMOUNT FOR DEPRECIATION**  
21 **EXPENSE?**

22 A. The amount of nuclear decommissioning expense included in DEC's per book  
23 amount for depreciation expense is \$0 in the Test Period. DEC is not seeking

1 to change the South Carolina retail annual funding amount of \$0 for nuclear  
2 decommissioning costs as a part of this rate case proceeding.

3 Pursuant to Order No. 91-1022 and Order No. 94-1308 in Docket No.  
4 91-216-E, DEC is required to submit periodic reports to the Commission  
5 updating its decommissioning cost studies and the status of the funds, so as to  
6 ensure that an adequate level of funds remain in the Nuclear Decommissioning  
7 Trust for future decommissioning of the Company's nuclear units. In  
8 accordance with the Orders, DEC will continue to submit periodic reports and  
9 expects the next update to its nuclear decommissioning cost studies to be  
10 completed in late 2023 or early 2024, which will be filed with the Commission  
11 within 90 days of management approval of the new estimates. The Company  
12 does not expect the updated studies to require customer funding, and there is no  
13 anticipated impact to the \$0 amount of nuclear decommissioning expense  
14 included in this case.

15 **IV. DEPRECIATION RATES**

16 **Q. PLEASE DESCRIBE THE STATUS OF THE COMPANY'S**  
17 **DEPRECIATION STUDIES.**

18 A. DEC's depreciation studies were last approved in the Company's most recent  
19 general rate case in Order No. 2019-323 in Docket No. 2018-319-E, issued on  
20 May 21, 2019. As a result of normal periodic review of the Company's  
21 depreciation for compliance with General Accepted Accounting Principles,  
22 DEC commissioned updated studies of its depreciation schedules prepared by  
23 Gannett Fleming Valuation and Rate Consultants, LLC ("Gannett Fleming").

1 Gannett Fleming calculated annual depreciation accruals related to electric  
2 plant as of December 31, 2021 (the “2021 Depreciation Study”). The 2021  
3 Depreciation Study is included as Spanos Exhibit 1. Estimates for final  
4 decommissioning costs at steam, hydraulic, and other production plants were  
5 obtained from the Decommissioning Cost Estimate Study prepared by 1998 &  
6 Co (formally Burns and McDonnell), an external engineering firm. The  
7 Decommissioning Cost Estimate Study is included as Speros Exhibit 2.

8 **Q. IS THE COMPANY REQUESTING TO ADJUST CUSTOMER RATES**  
9 **AT THIS TIME BASED ON THESE UPDATED DEPRECIATION**  
10 **STUDIES?**

11 A. Yes. The Company is requesting Commission approval to adjust customer rates  
12 based on the revised depreciation rates resulting from the updated 2021  
13 Depreciation Study. The retirement of Cliffside 5 was extended to December  
14 2030, which aligns with DEC’s most recent Integrated Resource Plan. In  
15 addition, the decommissioning cost estimates were adjusted to use a 10%  
16 contingency and a 5% indirect cost adder. These change are also consistent  
17 with the depreciation study recently adopted in North Carolina. Spanos Exhibit  
18 2 shows the depreciation rates the Company is proposing for adoption in this  
19 case, and Jiggetts Direct Exhibit 1, Page 4 of 13 shows the annualized impact  
20 to depreciation of applying the rates from the 2021 Depreciation Study to plant  
21 balances. The Company believes that these revised depreciation rates are  
22 reasonable for use in this proceeding. The impact of the revised depreciation  
23 rates is an annual net increase in depreciation expense of approximately \$194

1 million on a system basis (\$44 million on a South Carolina retail basis) when  
2 applied to plant balances.

3 **V. CONCLUSION**

4 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

5 **A. Yes.**